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Malaysian Technical Standards Forum Bhd

2019

FINANCIAL STATEMENT

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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in promoting the development of standards and safety of network facilities, establishing and maintaining standards, technical codes, network interoperability and operational issues affecting the Malaysian communications and multimedia industry and to develop, recommend, modify, update and seek registration of technical codes from time to time.

There have been no significant changes in the nature of the principal activities during the year.

RESULTS

	RM
Operating surplus after taxation	**240,525**
Accumulated surplus brought forward	**642,712**
Accumulated surplus carried forward	**883,237**

DIVIDENDS

In accordance with the Memorandum of Association, no dividends are payable to the Members of the Company.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

DIRECTORS OF THE COMPANY

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Ismail bin Osman
Abdulhadi bin Wahid
Fami bin Abdul Hamid
Norazizan bin Mohamad
Liew Sze Yarn
Abdul Aziz bin Long
Azni Risa binti Ramlan
Nivendran Veerappan (Appointed w.e.f. 19.8.2019)
Amirah binti Abd Majid
(Alternate director to Dato' Ismail bin Osman)
Mohd Hanizam bin Mohammed
(Alternate director to Abdulhadi bin Wahid)
Norhafizah binti Ghani
(Alternate director to Azni Risa binti Ramlan)

Mohd Fuad bin Romeli
(Alternate director to Liew Sze Yarn)
Mohammad Isa bin Mohd Razhali (Appointed w.e.f . 19.8.2019)
(Alternate director to Nivendran Veerappan)

DIRECTORS' INTEREST

The Company is a company limited by guarantee and thus has no shares in which the directors could have an interest. The Company has not issued any debentures.

In the event of the Company being wound up, each member of the Company undertakes to contribute a maximum of RM100 to the assets of the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for bad and doubtful debts and satisfied themselves that no known bad debts had been written off and that no provision had been made for bad and doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for bad and doubtful debts inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been director, officer or auditor of the Company.

AUDITORS

The auditors, Messrs. Khairuddin Hasyudeen & Razi, retire and have expressed their willingness to accept re-appointment.

The remuneration of the auditors is disclosed in Note 14 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors,

ABDULHADI BIN WAHID
Director

ABDUL AZIZ BIN LONG
Director

Kuala Lumpur
Dated: 02 JUL 2020

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, **ABDULHADI BIN WAHID** and **ABDUL AZIZ BIN LONG**, two of the directors of MALAYSIAN TECHNICAL STANDARDS FORUM BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 44 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors,

ABDULHADI BIN WAHID
Director

ABDUL AZIZ BIN LONG
Director

Kuala Lumpur
Dated: 02 JUL 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, **ZALEHA BINTI ABU BAKAR**, the officer primarily responsible for the accounting records and financial management of MALAYSIAN TECHNICAL STANDARDS FORUM BHD., do solemnly and sincerely declare that the financial statements set out on pages 10 to 44 are to the best of my knowledge and belief, correct and make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by)

ZALEHA BINTI ABU BAKAR)

at Kuala Lumpur in the)

Federal Territory Kuala Lumpur on 02 JUL 2020)

ZALEHA BINTI ABU BAKAR

Before me,

MOHD ISA BIN NOORDIN

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIAN TECHNICAL STANDARDS FORUM BHD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MALAYSIAN TECHNICAL STANDARDS FORUM BHD., which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in non-distributable fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 44.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIAN TECHNICAL STANDARDS FORUM BHD

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KHAIRUDDIN HASYUDEEN & RAZI
AF 1161
Chartered Accountants

AHMAD KHAIRUDDIN BIN MAT SALLEH
01574/03/2021 J
Partner of the Firm

Kuala Lumpur
Dated: 02 JUL 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTE	2019	2018
		RM	RM
ASSETS			
Non-Current Asset			
Property, plant and equipment	5	**1,397**	31,442
		1,397	31,442
Current Assets			
Amount due from members	6	**144,674**	72,959
Other receivables, deposits and prepayments	7	**15,628**	976,713
Cash and cash equivalents	8	**2,900,772**	1,937,696
		3,061,074	2,987,368
TOTAL ASSETS		**3,062,471**	3,018,810
EQUITY			
Non-distributable fund			
Membership fund	9	**154,000**	152,000
Accumulated surplus		**883,237**	642,712
Total Equity		**1,037,237**	794,712
LIABILITIES			
Non-Current Liability			
Project grants	10	**1,666,752**	2,008,769
		1,666,752	2,008,769
Current Liability			
Other payables and accruals	11	**358,482**	215,329
		358,482	215,329
Total Liabilities		**2,025,234**	2,224,098
TOTAL EQUITY AND LIABILITIES		**3,062,471**	3,018,810

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	NOTE	2019	2018
		RM	RM
Revenue	12	**363,096**	370,096
Other operating income	13	**1,617,668**	1,690,168
Operating expenses		**(1,739,588)**	(1,849,624)
Operating surplus before taxation	14	**241,176**	210,640
Taxation	15	**(651)**	(1,400)
Net operating surplus after taxation		**240,525**	209,240

STATEMENT OF CHANGES IN NON-DISTRIBUTABLE FUND

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Membership fund	Accumulated surplus	Total
	RM	RM	RM
Balance as at 31 December 2017	138,000	433,472	571,472
Subscription from members	14,000	-	14,000
Surplus of income over expenditure for financial year	-	209,240	209,240
Balance as at 31 December 2018	152,000	642,712	794,712
Subscription from members	2,000	-	2,000
Surplus of income over expenditure for financial year	-	240,525	240,525
Balance as at 31 December 2019	154,000	883,237	1,037,237

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus before taxation	**241,176**	210,640
Adjustments for:		
Deposits written off	**-**	2,400
Depreciation of property, plant and equipment	**31,537**	22,076
Operating surplus before working capital changes	**272,713**	235,116
Decrease/(Increase) in amount due from members and other receivables	**893,230**	(248,902)
Increase in trade and other payables	**143,153**	136,942
Cash generated from operations	**1, 309,096**	123,156
Income taxes paid	**(10,000)**	(4,250)
Income taxes refund	**5,489**	-
Net cash generated from operating activities	**1,304,585**	118,906
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	**(1,492)**	(15,790)
Net cash used in investing activity	**(1,492)**	(15,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from members' initial contribution	**2,000**	14,000
Grants received during the year	**-**	1,500,000
Disbursement of grants during the year	**(342,017)**	(411,257)
Net cash (used in)/ provided by financing activities	**(340,017)**	1,102,743
Net increase in cash and cash equivalents	**963,076**	1,205,859
Cash and cash equivalents brought forward	**1,937,696**	731,837
Cash and cash equivalents carried forward (Note 8)	**2,900,772**	1,937,696

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1. GENERAL

(a) The Company is principally engaged in promoting the development of standards and safety of network facilities, establishing and maintaining standards, technical codes, network interoperability and operational issues affecting the Malaysian communications and multimedia industry and to develop, recommend, modify, update and seek registration of technical codes from time to time.

There have been no significant changes in the nature of the principal activities during the year.

(b) The principal place of business is located at Malaysian Communications & Multimedia Commission, Off Persiaran Multimedia, Jalan Impact, 63000 Cyberjaya, Selangor Darul Ehsan.

(c) The registered office is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

The financial statements of the Institute have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2016 in Malaysia.

New and revised MFRS Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year.

The following pronouncements that have been issued by the MASB has become effective in the current financial reporting period and have been adopted by the Company in the financial statements:

MFRS, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2019:

- MFRS 16 *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 112 *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015 -2017 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

There was no major financial impact on the financial performance and position of the Company from the adoption of the above standards and amendments.

New and revised MFRS Standards, Interpretations and Amendments in issue but not yet effective

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (MASB) which are not yet effective and have not been adopted by the Company:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020:

- Amendments to MFRS 3 *Business Combination - Definition of a Business*
- Amendments to MFRS 7 *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*
- Amendments to MFRS 9 *Financial Instruments - Interest Rate Benchmark Reform*
- Amendments to MFRS 101 *Presentation of Financial Statements - Definition of Material*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 139 *Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform*
- The Conceptual Framework for Financial Reporting ("Framework")

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021:

- MFRS 17 *Insurance Contracts*

MFRS, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed:

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2020.

The Company does not plan to apply MFRS 17 *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis other than as disclosed in Note 4.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following note:

- Note 6 - Impairment of amount due from members

3. DATE OF AUTHORISATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors on 2 July 2020.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, and have been consistently by the Company, unless otherwise stated.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 4(e)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 4(e)(i)) where the effective interest rate is applied to the amortised cost.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

(ii) **Equity investments**

This category comprises investment in equity that is not held for trading, and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument).

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 4(e)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or

(iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognises the amount of change in fair value of the financial liability that is attributable to the change in credit risk in the other comprehensive income and the remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

(i) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

The estimated useful lives are at the following rates:

Computers	**33.33%**
Furniture and fittings	**20%**
Office equipment	**20%**

Depreciation methods, useful lives and residual value are reviewed at end of the reporting period, and adjusted as appropriate.

(c) Leases

The Company has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to unappropriated profits at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117 *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis on their relative stand-alone prices. However, for the lease of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement at the present value of the liability comprise the following:

- Fixed payments, including in-substance fixed payments less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to exercise; and
- Penalties for early termination of the lease unless the Company is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a financial lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Company recognises lease payments received under operation leases as income on a straight-line basis over the lease term as part of "revenue".

The Company recognises finance income over the lease term, based on pattern reflecting a constant periodic rate return on the Company's net investment in the lease. The Company aims to allocate finance income over the lease term on a systematic and rational basis. The Company applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments*.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating leases

Leases, where the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised in the statements of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances.

(e) Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts on other assets (except for inventories, contract assets, lease receivables, deferred tax asset, asset arising from employee benefits, investment properties measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(f) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Subscription fees

A fixed quantum of subscription fees is recognised as initial subscription fees in the year the subscription is accepted.

The annual subscription fees received and receivable by the Company is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

(h) Project grants

Project grants are recognised as non-current liability upon the receipt from the Malaysian Communications and Multimedia Commission for industry promotion and development purposes. All expenditure related to the grant is shown as disbursement of grant.

(i) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(j) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(k) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect to salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Contribution plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. As required by law, companies in Malaysia make such contribution to the Employees Provident Fund ("EPF").

(l) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable for the asset or liability, either directly or indirectly.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

5. PROPERTY, PLANT AND EQUIPMENT

	COST			
	Balance as at 1.1.2019	Additions	Disposals	Balance as at 31.12.2019
	RM	RM	RM	RM
Computers	122,022	-	-	122,022
Furniture and fittings	8,423	-	-	8,423
Office equipment	10,339	1,492	-	11,831
	140,784	1,492	-	142,276

	ACCUMULATED DEPRECIATION			
	Balance as at 1.1.2019	Additions	Disposals	Balance as at 31.12.2019
	RM	RM	RM	RM
Computers	91,091	30,730	-	121,821
Furniture and fittings	8, 410	12	-	8,422
Office equipment	9,841	795	-	10,636
	109,342	31,537	-	140,879

	CARRYING VALUE		Depreciation
	2019	2018	2018
	RM	RM	RM
Computers	201	30,931	21,121
Furniture and fittings	1	13	-
Office equipment	1,195	498	955
	1,397	31,442	22,076

The cost of property, plant and equipment which has been fully depreciated but still in use are as follows:

	2019	2018
	RM	RM
Computers	46,069	46,069
Furniture and fittings	8,423	8,423
Office equipment	8, 128	3,478
	62,620	57,970

6. AMOUNT DUE FROM MEMBERS

	2019	2018
	RM	RM
Amount due from members	144,674	72,959

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	RM	RM
Other receivables	4,368	3,283
Deposits	1,500	1,800
Amount due from MCMC	-	965,730
Tax recoverable	9,760	5,900
	15,628	976,713

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

8. CASH AND CASH EQUIVALENTS

	2019 RM	2018 RM
Cash in hand and at bank	**2,900,772**	1,937,696

9. MEMBERSHIP FUND

	2019 RM	2018 RM
At 1 January	**152,000**	138,000
Subscription from members	**2,000**	14,000
At 31 December	**154,000**	152,000

The Company is incorporated as a company limited by guarantee without share capital. In the event of the Company being wound up, each member of the Company undertakes to contribute a maximum of RM100 to the assets of the Company.

The membership fund represents the initial contribution from the members.

The movement of the members are as follows:

	2019 RM	2018 RM
At 1 January	**102**	87
Add: New members	**2**	18
Less: Discontinued memberships	**(7)**	(3)
At 31 December	**97**	102

10. PROJECT GRANTS

	2019	2018
	RM	RM
Malaysian Communications and Multimedia Commission (MCMC)		
- Green ICT (GICT)	685,929	783,129
- Internet of Things (IoT)	980,823	1,225,640
	1,666,752	2,008,769

The movement of the project grants are as follows:

	2019	2018
	RM	RM
At 1 January	2,008,769	920,026
Additions during the year	-	1,500,000
Disbursed during the year	(342,017)	(411,257)
At 31 December	1,666,752	2,008,769

11. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RM	RM
Other payables	332,295	190,464
Amount due to members	26,187	24,865
	358,482	215,329

12. REVENUE

	2019	2018
	RM	RM
Subscription fees	363,096	370,096

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

13. OTHER OPERATING INCOME

	2019 RM	2018 RM
Recognition of Government grants	**1,616,668**	1,599,727
Sponsorship	**-**	85,860
Others	**1,000**	4,581
	1,617,668	1,690,168

14 . OPERATING SURPLUS BEFORE TAXATION

Operating surplus before taxation is arrived at after charging the following items:

	2019 RM	2018 RM
Auditors' remuneration	**10,000**	10,000
Deposit written off	**-**	2,400
Depreciation of property, plant and equipment	**31,537**	22,076
Rental:		
- Equipment	**4,560**	4,674
- Space	**39,080**	-

15. TAXATION

	2019 RM	2018 RM
Current tax expense	**240**	1,400
Under provision of taxation in prior years	**411**	-
	651	1,400

Reconciliation of tax expense with operating surplus before taxation:

	2019 RM	2018 RM
Operating surplus before taxation	**241,176**	210,640
Tax at the current income tax rate of 24%	**57,883**	50,554
Tax effect in respect of:		
Non taxable income	**(57,643)**	(49,154)
Under provision of taxation in prior years	**411**	-
Tax expense	**651**	1,400

16. STAFF COSTS

	2019 RM	2018 RM
Salaries, bonus and allowances	**930,619**	917,845
EPF contribution	**113,706**	112,459
SOCSO contribution	**8,643**	9,556
Other employee benefits	**51,582**	35,106
	1,104,550	1,074,966

The numbers of employees in the Company at the end of the financial year were 11 (2018: 11).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

17. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"):

	Carrying amount	AC
	RM	RM
2019		
Financial assets		
Amount due from members	**144,674**	**144,674**
Other receivables, deposit and prepayments	**5,868**	**5,868**
Cash and cash equivalents	**2,900,772**	**2,900,772**
	3,051,314	**3,051,314**
Financial liability		
Other payables and accruals	**(358,482)**	**(358,482)**
2018		
Financial assets		
Amount due from members	72,959	72,959
Other receivables, deposit and prepayments	970,813	970,813
Cash and cash equivalents	1,937,696	1,937,696
	2,981,468	2,981,468
Financial liability		
Other payables and accruals	(215,329)	(215,329)

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk

(c) Credit risk

Credit risk is the risk of a financial loss if a member or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from members and cash and cash equivalents. There are no significant changes as compared to the prior periods.

(i) Amount due from members

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on members requiring credit over a certain amount.

At each reporting date, the Company assesses whether any of the amount due from members are credit impaired.

The gross carrying amounts of credit impaired amount due from members are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the member does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, amount due from members that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from amount due from members is represented by the carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

In managing credit risk of amount due from members, the Company manages its receivables and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, members will pay within 60 days.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

The Company's debt recovery process is as follows:

a) Above 120 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored by the management; and

b) If no repayment received from the structured debt recovery process, the Company will commence a legal proceeding against the member.

The Company uses an allowance matrix to measure ECLs of the due from members. Consistent with the debt recovery process, invoices which are 120 days past due will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 120 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Company also considers differences between

(a) economic conditions during the period over which the historic data has been collected;

(b) current conditions; and

(c) the Company's view of economic conditions over the expected life of the receivable.

Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for the amount due from members.

	Gross-carrying amount RM	Loss allowance RM	Net balance RM
2019			
Current (not past due)	**-**	**-**	**-**
1-30 days past due	**-**	**-**	**-**
31-60 days past due	**-**	**-**	**-**
61-90 days past due	**-**	**-**	**-**
91-120 days past due	**-**	**-**	**-**
	-	**-**	**-**
Credit impaired	**-**	**-**	**-**
More than 120 days	**144,674**	**-**	**144,674**
	144,674	**-**	**144,674**
2018			
Current (not past due)	-	-	-
1-30 days past due	-	-	-
31-60 days past due	-	-	-
61-90 days past due	-	-	-
91-120 days past due	-	-	-
	-	-	-
Credit impaired	-	-	-
More than 120 days	72,959	-	72,959
	72,959	-	72,959

Amount due from members that were past due but not impaired relate to members that have a good payment record with the Company. Based on past experience and no adverse information to date, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of those balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

No movement in the allowance for impairment in respect of the amount due from members during the year.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

(iii) Other receivables

Credit risks on other receivables are mainly arising from advances and deposits paid. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year
	RM		RM	RM
2019				
Non-derivative financial liability				
Other payables and accruals	**358,482**	**-**	**358,482**	**358,482**
2018				
Non-derivative financial liability				
Other payables and accruals	215,329	-	215,329	215,329

(e) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payables approximate their fair values due to the relatively short-term nature of these financial instruments.

18. CAPITAL MANAGEMENT

The Company considers its non-distributable fund as its capital. As at 31 December 2019 and 31 December 2018, the Company is not exposed to any capital risk as there are no outstanding borrowings made with financial institutions.

Malaysian Technical Standards Forum Bhd (MTSFB)
MCMC Centre of Excellence (CoE),
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MTSFB

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